

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



GENESIS
LAND DEVELOPMENT CORP.

**CREATING COMMUNITIES
FOR ALL SEASONS**

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MISSION STATEMENT

Genesis's goal is to become Canada's strongest and most efficient land development company, by developing and expanding our extensive land holdings through income re-investment, equity financing, and the deliberately conservative use of debt.

NOTICE OF ANNUAL MEETING

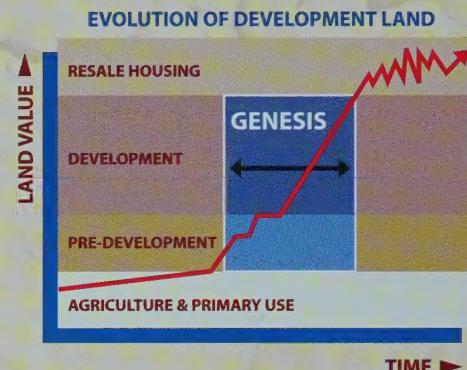
The Annual Meeting of Shareholders will be held on June 24, 1999 at 2:00 PM, Eau Claire North Room, Westin Hotel, Calgary, Alberta



CORPORATE PROFILE

Genesis Land Development Corp.
is a growth oriented real estate
company with the primary
objective of maximizing returns
to its shareholders by:

- Acquiring strategic land parcels with excellent potential for appreciation in key market centres,
- Adding value to land parcels by facilitating the rezoning of the lands to the development stage,
- Developing and selling master planned communities,
- Constructing single family homes, multi-family dwellings and commercial centres.
- Building and operating water and sanitary sewer utilities on Genesis developed properties.

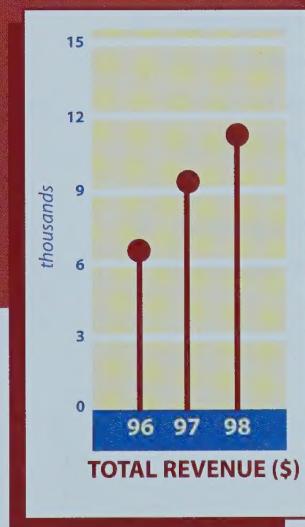
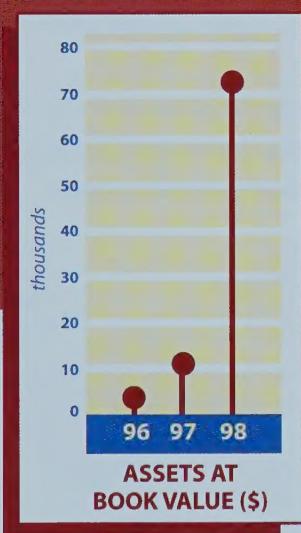


Creating Communities For All Seasons

FINANCIAL HIGHLIGHTS

(In dollars, except for common shares)

	1998	1997
Assets (at book value)	85,240,868	20,220,273
Shareholders' equity	10,795,282	5,413,966
Share capital contributed	5,710,781	200,000
Total revenue	11,738,273	9,823,902
Net (loss) earnings	(715,127)	1,441,466
<hr/>		
(Loss) Earnings per share - basic and fully diluted	(0.03)	0.07
Common shares outstanding	24,723,183	21,640,580



REPORT TO SHAREHOLDERS

From both a strategic and land development perspective, 1998 was a very successful year for Genesis. After operating as a successful private corporation since 1992, Genesis achieved a listing on the Alberta Stock Exchange in October 1998. It also achieved ownership of approximately 4,400 acres of development land through acquisition from co-owners.

When developed, this translates into approximately 13,000 dwelling sites in the Calgary area and 5,000 in British Columbia. Genesis land reserves now are strategically located in key positions to offer a wide range of economically viable non-competing residential developments. Each development has a significant unique recreational theme, which sets it apart from the typical subdivision.

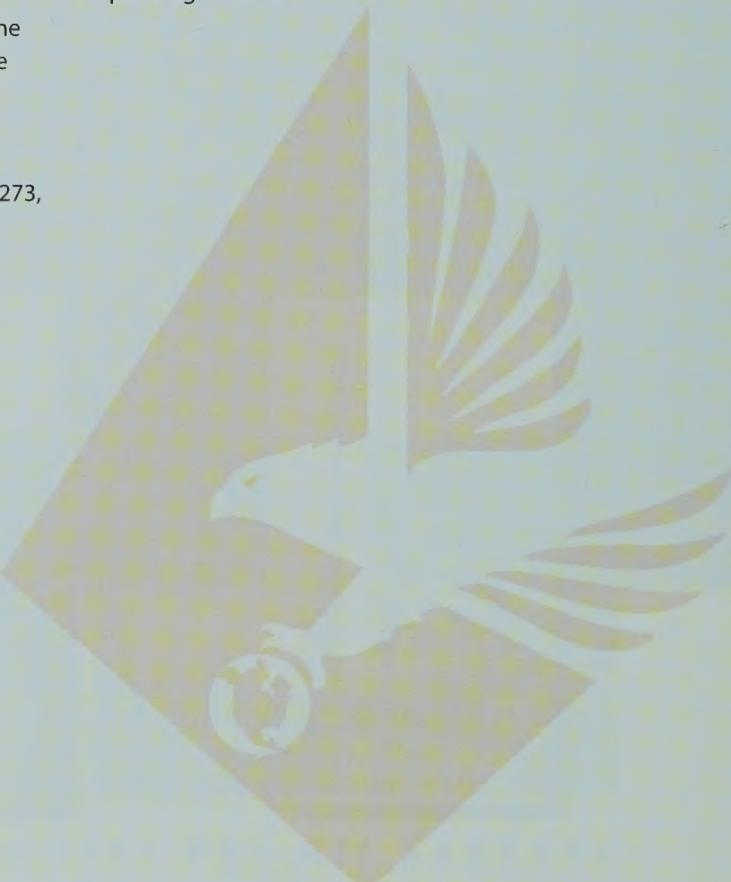
Genesis also secured the rights to Spray Lakes Development by acquiring Kananaskis Pathways Corporation and Spray Lakes Development Corporation. The Spray Lakes Project is nestled in the Rocky Mountains adjacent to Canmore, Alberta. The appraised value of all of Genesis holdings is \$162 million.

Overall, corporate revenues for 1998 were \$11,738,273, compared with \$9,823,902 in 1997.

REVIEW OF MARKETS

The Alberta advantages and especially the Calgary economic growth is backed by strong fundamentals. Although 1998 saw reduced lot absorption (approximately 8,000) compared with 1997 (10,000) in the Calgary area, the future looks bright. Genesis, as stated in the Mission Statement, is well positioned to increase market share as a result of its conservative debt position, and strategically located development projects slated to start in 1999.

British Columbia is experiencing virtually no growth in the real estate sector; however, Genesis projects are mostly in the planning stages in that area. With the demographic shifts in our baby-boomer population, it is expected that there will be demand for recreational, retirement properties in B.C. over the next five years. Genesis properties are well positioned to fill this impending demand.



1998 ACCOMPLISHMENTS

- Completed acquisition of more than 2,000 acres of prime development lands in the Calgary area and in Kamloops, British Columbia, with a market value of approximately \$78,000,000, through a series of vendor take back mortgages.
- Listed on the Alberta Stock Exchange on August 12, 1998(GDC-ASE). Completed its major transaction of the operating arm Genesis Land Developers Ltd. in November 1998.
- Sold 95% of the 76 lots in Phase 1 of the Canals Development in Airdrie, Alberta (Calgary suburb).
- Initiated and partially serviced Phase 2 of the Canals Development with 104 single family lots, 122 family-villa lots, plus 5.7 acres of multi-family sites, and a 2.5 acre commercial site.
- Completed development of the Calgary area Silverwoods a 40-acre country residential development in Bearspaw.
- Started development of 76 single-family lots and a five acre multi-family site in Phase 1 of the Meadowbrook development in Brooks, Alberta, with over 20 housing starts.
- Sold 75% of Phase 1 in the Woodlands development in Prince George, British Columbia.
- Completing construction of 40,000 square feet of commercial development in Northeast Calgary, with over 60% pre-sold.
- Built and sold more than 40 single family homes in corporate land developments.
- Obtained partial civic approvals for Taravista – a planned community for over 480 acres in Northeast Calgary.
- Extensive development planning undertaken for Simons Valley (Northwest Calgary), and Buena Vista Ranches (Kamloops).
- Acquired the Spray Lakes project in Canmore-Kananaskis area.



GOALS AND OBJECTIVES 1999

The company has very clear goals and objectives established for 1999. They are:

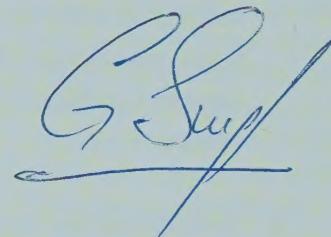
Increase market share in Calgary and other centres by developing a number of its core land holdings including:

- Simons Valley (775 acres) Calgary N.W.
- Taravista (480 acres) Calgary N.E.
- Mountain View Village (144 acres) Calgary S.E.
- 60,000 sq. ft. commercial condos Calgary N.E.
- Continue Phase 2 development, The Canals, Airdrie (640 acres)
- Water utility for Mountain View Village - develop and operate.
- Phase 2 - Woodlands, Prince George, B.C.
- Phase 1 - Buena Vista Ranches, Kamloops, B.C.

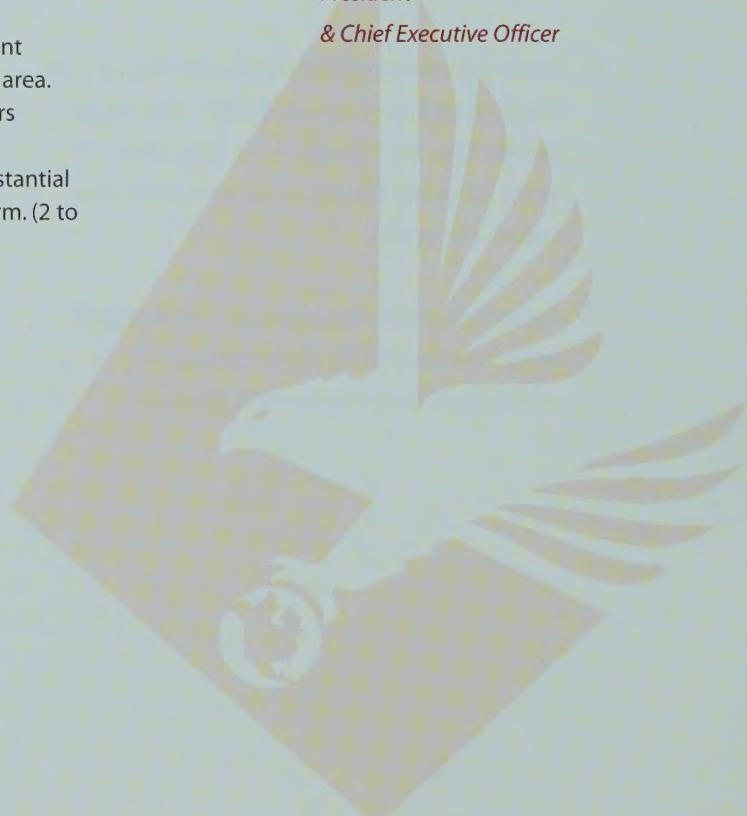
Genesis will also focus on acquiring development projects in the greater Vancouver metropolitan area. A lack of economic growth in the last three years provides a window of opportunity to acquire properties at a low cost base and generate substantial profits over the relatively short and medium term. (2 to 5 years)

ACKNOWLEDGEMENTS

On behalf of the Board of Directors and the management of Genesis. I would like to thank all of our customers, shareholders, employees and business associates for their support in making 1998 a successful year, and we look forward to strong profitable expansion of Genesis in the forthcoming year.



Gobi Singh, P.Eng.
President
& Chief Executive Officer



OPERATIONS SUMMARY

Two major events highlight the first annual report of Genesis Land Development Corp. Genesis has completed its transformation from an acquisitions and holding entity, to a full-fledged development and construction company. Genesis acquired over 2,000 acres of prime development lands in the Calgary area and Kamloops, British Columbia in January 1998. This brings the total land assets to more than 4,400 acres in the Calgary area, and British Columbia. During 1998, Genesis sold 95% of 76 lots in Phase 1 of the Canals development in Airdrie (Calgary area), and partially serviced Phase 2 (comprising of more than 300 lots). Further 1998 land development included the servicing of 76 lots in Meadowbrook Greens (Brooks), and obtaining land use and utility servicing approvals in Taravista (Northeast Calgary). Additional planning was completed to bring Calgary area properties such as Simons Valley, and Mountain View Village closer to development stage. More than 10 lots were sold in the Woodlands development in 1998 to bring Phase 1 (28 lots) to a near completion. Initial concept plans for the Buena Vista Ranches project in Kamloops, B.C., were brought forth for consideration and review to the local authorities. With a sequence of projects under development, and others undergoing various stages of final approvals, Genesis is well positioned to bring on substantial numbers of lots and generate considerable revenues over the next two years. Genesis has constructed more than 40 single family homes in its developments, and has constructed 40,000 square feet of commercial development in 1998.

CREATING COMMUNITIES FOR ALL SEASONS

Our motto "Creating Communities for All Seasons" reflects our commitment to create unique communities that anticipate and address the changing needs of consumers. A strong emphasis on recreational amenities is emphasized in Genesis developments. More park and recreation space, imaginative use of water based amenities such as the Canals in Airdrie, and incorporating wide open country living in urban communities, are some of the trademarks of Genesis developments. This recreational theme is a prime consideration in the selection of lands for future development, such as in Simons Valley, Northwest Calgary, and Buena Vista Ranches in Kamloops.



LAND DEVELOPMENT CALGARY AREA

THE CANALS – Airdrie (north of Calgary), 640 acres
– Projected Yield: 4432 lots

Phase 1 Development (76 lots) – completed and sold 1998.

Phase 2 Development (226 single family lots plus commercial and multi-family sites) – development started in September 1998.

Genesis commenced development of this 640 acre parcel located in the City of Airdrie in 1997. Phase 1 comprising of 76 single family lots was sold in 1998, and included the construction of a public elementary-middle school completed and opened in September, 1998. Development of Phase 2 of the Canals commenced in Sept. 1998, and comprises of 104 single family lots, 112 multi-family lots, 122 duplex dwelling lots, 5.7 acres of multi-family sites, and a 2.47 acre commercial site. Phase 2 servicing is expected to be completed by spring 1999 and includes the first 0.7 km leg of the canals, along with a five acre lake. The project is located 25 minutes north of downtown Calgary and incorporates a unique canal system through the property and a water-ski lake. The approved Area Structure Plan provides for a linear park system running parallel to the canal system. The combination of water-ski lake and canal system will offer year round recreation by providing facilities for canoeing, water-skiing and swimming in the summer, and ice skating in the winter. The plan also provides for additional schools, multi-family and commercial sites within the development.



CALGARY, ALBERTA

TARAVISTA – Northeast Calgary. 480 acres – Projected Yield: 2488 lots
Phase 1 development (200 lots). Projected start – mid 1999

Only about a 20 minute drive from downtown Calgary and five minutes to Westwinds Industrial Park, Taravista is expected to be a comprehensive community package of affordable family, adult and senior housing with convenient amenities. Taravista is located within the City of Calgary approved Saddleridge Area Structure Plan. Phase 1 of the development is expected to contain 150 single family and 50 multi-family lots. An approved 14 acre commercial retail site is located on Taravista, adjacent to Phase 1. The overall development is expected to contain a variety of affordable single family houses, an interconnected parks system, one kilometre of linear storm lakes, a regional shopping center and a school site, with a future Light Rail Transit station located adjacent to Taravista.



SIMONS VALLEY – Northwest Calgary. 775 acres – Projected Yield: 4243 lots
Phase 1 development (200 lots). Projected start – late 1999 – early 2000.

Simons Valley is the premier property in the Genesis portfolio. Within a 25 minute drive of downtown Calgary, it is adjacent to two highly successful Northwest Calgary developments, The Hamptons and Hidden Valley. Simons Valley has topographical features that emphasize the recreational theme of Genesis developments, including West Nose Creek, and an extensive network of escarpments, ravines and coulees, that are interconnected to the Nose Creek regional park and trail system. The development is being designed to include an interconnected pedestrian pathway system which will provide walking, jogging and cycling facilities surrounded by scenic views of the natural topography. Housing is expected to have a wide price range, from \$120,000 to more than \$300,000, with most expected to be in the \$140,000 to \$200,000 range.

MITFORD CROSSING – Cochrane (west of Calgary), 160 acres – Projected Yield: 360 lots
Phase 1 development (50 lots). Projected start – mid 2000.

Mitford Crossing is located west and adjacent to the town of Cochrane, in very close proximity to the banks of the Bow River. The development will incorporate an equestrian theme taking advantage of the lands natural pathways and proximity to the Bow River. Located approximately 30 minutes from downtown Calgary and 40 minutes from Canmore, Mitford Crossing will be a self sustaining community with on-site water treatment and mechanical sewage treatment. The plan proposes a wide variety of single family houses in different price ranges and will contain right-of-ways for horse riding trails. The Corporation has also been able to obtain the commitment of the Rockyview School Board to build a junior, middle and high school on the property within the next ten years.

SILVERWOODS – Bearspaw (Northwest Calgary) 40 acres - Yield 18 – 2 acre parcels
Development completed - 1998.

Silverwoods was the first Calgary area development conducted by Genesis, and is located one-half mile outside of Calgary city limits in Northwest Calgary. The 18 lot development comprises nearly entirely of country estate homes ranging in prices from \$275,000 to more than \$400,000.

MOUNTAIN VIEW VILLAGE – M.D. of Rockyview (S.E. Calgary) 144 acres - Projected Yield: 402 lots
Phase 1 development (100 lots). Projected start – fall 1999.

Mountain View Village is located four minutes east of Calgary city limits on Glenmore Trail. The development will provide affordable country living for workers in the nearby Foothill and Blackfoot Industrial Parks, and is only about 20 minutes southeast of downtown Calgary. The community will consist of primarily starter and mid-priced homes on one-quarter (1/4) acre lots, with house and lot packages starting at approximately \$129,900. In addition to the affordable large country lots, a lake amenity is also planned, and a Genesis owned and developed water utility is expected to be part of the development.



HUNTLEY LAKES – LYALTA (*Northeast of Calgary*), 356 acres

– *Projected Yield: 608 lots*

Phase 1 development (30 lots). *Projected start – 2000*

The Huntley Lakes property is located about 30 minutes north and east of downtown Calgary. Development plans consist of an equestrian facility, riding trails and lakes surrounded by a variety of single family houses. All lots within the development will be connected by a minimum six metre (20 foot) pedestrian and cycle open space system, alongside an existing water canal system. This property is designed to offer affordable country living within close proximity to Calgary.

BROOKS, ALBERTA

MEADOWBROOK – *Town of Brooks. 120 acres* – *Projected*

Yield: 800 lots

Phase 1 development (76 lots, and a 5 acre multifamily site) *in September 1998.*

The Meadowbrook development comprises of affordable housing ranging from single detached homes, to apartment complexes. It was initiated with the Town of Brooks to address the need for affordable housing with the large influx of IBP Lakeside (meat processing) workers to handle expanded plant operations. Meadowbrook is located on the east side of Brooks, within close proximity of Brooks Golf and Country Club, and the Brooks College. To date, over 20 single detached homes are being constructed, with prices ranging between \$110,000 to \$140,000. The overall price range will be between \$70,000 and \$120,000 for most of the housing in Meadowbrook. Genesis owns 11 acres of the Meadowbrook project and has an option to acquire 109 acres for a fair market value estimated to be \$3,053,800.

CANMORE, ALBERTA

SPRAY LAKES – *Canmore. 10,000 acres (lease).*

Phase 1 development (tour boat operation). *Projected start – 1999.*

Phase 2 development (heli-cat ski operation). *Projected start – 2000*

Phase 3 development (resort). *Projected start – 2001.*

This project is located on the shore line of Spray Lakes (25 km. in length), 30 minutes from the Town of Canmore,

bordering Banff National Park, and less than 90 minutes to the Calgary International Airport. Road access is via the Smith Dorrien trail, a scenic highway running through Kananaskis Country. Genesis has acquired the project rights including a 10,000 acre lease on the property, which is owned by the Alberta government. The project is comprised of three phases: Phase 1, a summer season tour-boat operation; Phase 2, a larger winter season project offering a new concept in ski facilities; and Phase 3 a full-scale mountain resort. Approvals for Phases 2 and 3 are subject to environment impact assessments and government hearings on the project.

BRITISH COLUMBIA

THE WOODLANDS – *Prince George, 121 acres* – *Projected*

Yield: 504 lots, & eight acres of commercial sites.

Phase 1 development (28 lots) completed in 1998.

Phase 2 development (87 single and multi-family lots) commenced in 1995 – partially serviced.



Genesis has sold 21 of the 28 lots in Phase 1 of this project as of November 30, 1998 with unsold spec homes on five additional lots. Phase 2 consisting of 60 single family and 27 multi-family is partially serviced and is scheduled to be completed by summer 1999. The Woodlands is located inside the city of Prince George, and is in close proximity to existing residential developments, schools and shopping centres. Downtown Prince George, and the University of Northern British Columbia are approximately 15 minutes from the project. The Woodlands project is currently being developed as the Foothill Development Joint Venture.

NOTE: All times from specified locations are "driving" times, unless otherwise noted.



MOUNTAIN VILLAGE – Dawson Creek. 40 acres –

Projected Yield: 246 lots

Phase 1 development (20 lots) started in 1997

Genesis is currently assessing the continued development of this project. Mountain Village was designed to provide affordable housing priced in the range of \$85,000 to \$99,000, through simplified servicing and road standards, as well as using modular home construction. As of November 30, 1998, the Corporation has partially serviced Phase 1. The Corporation owns five acres and has a right of first refusal to acquire 35 additional acres in this project.



BUENA VISTA RANCHES – Kamloops, 1623 acres –

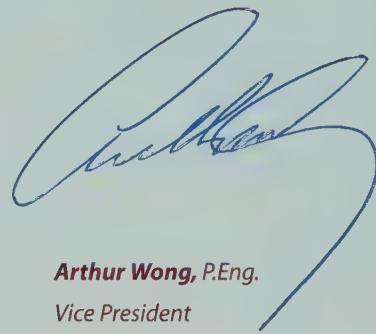
Projected Yield: 4205 lots

Phase 1 development (210 lots). Projected start – 2000.

Buena Vista Ranches is located approximately two miles west of the City of Kamloops and directly borders Kamloops Lake and the Trans-Canada Highway. This unique property is comprised of a series of hills that are separated by extensive valleys, which include six fresh water lakes on the property. The undulating ground form, rock outcroppings and clusters of mixed tree cover provide a unique and wide range of land use for development. The overall development concept plan calls for more than 50% of the lands to be dedicated towards open space and recreation. The plan also contains an extensive interconnected trail system for pedestrians, cyclists and horse riding, as well as a golf course. Planning for Phase 1 is underway, which is expected to consist of approximately 141 single family and 69 multi-family dwellings. Further development plans include a comprehensive community package consisting of a hotel, time share condominiums, multi-family, single family, adult housing, cottages and an equestrian centre.

CONSTRUCTION

In 1998, Genesis constructed over 40 single family homes in various Genesis developments under Acclaim Homes and Haston Homes, in addition to starting construction of 40,000 square feet of commercial development.



Arthur Wong, P.Eng.

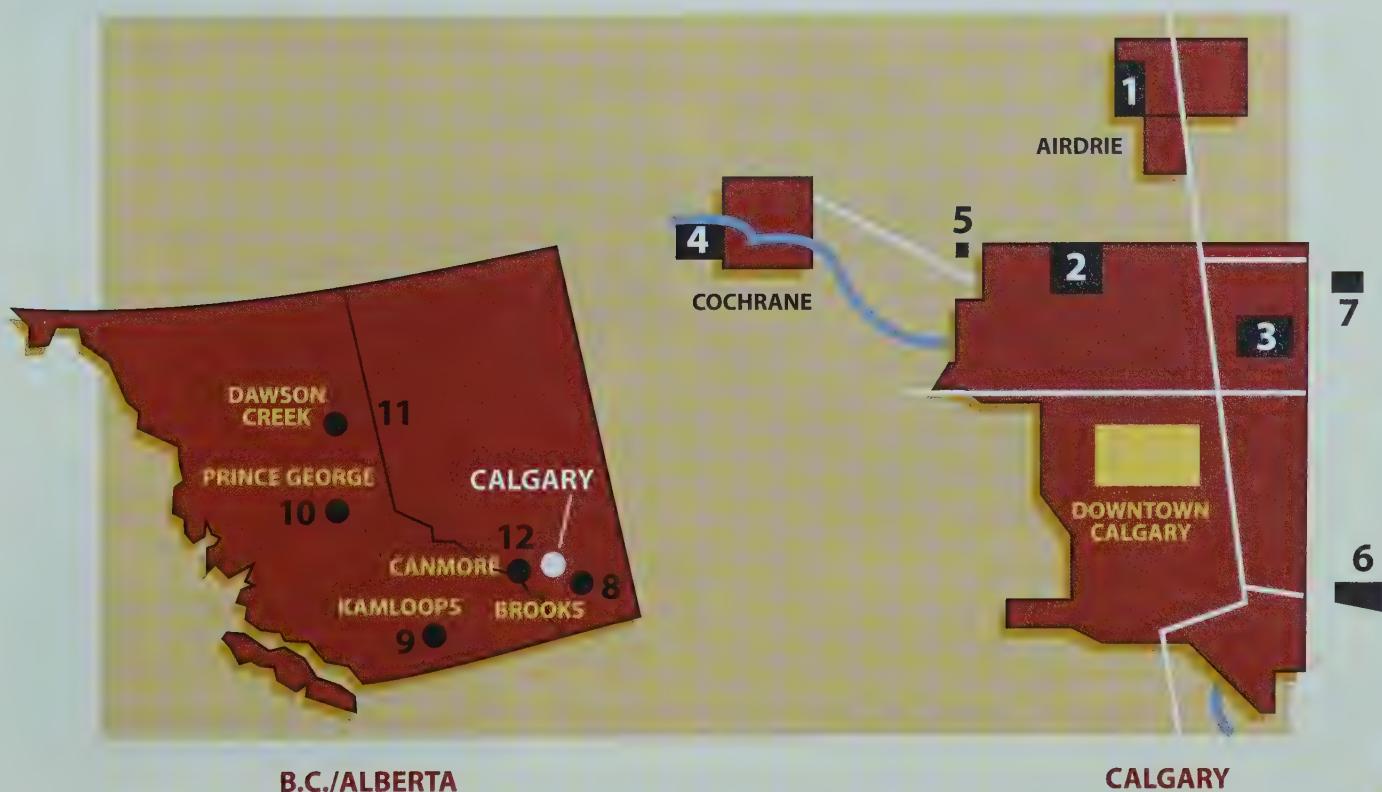
Vice President

& Chief Operating Officer

PROJECTS SUMMARY

		Total Gross Acres	Total Acres Net of Joint Venture Participants	Total Lot Yield Net of Joint Venture Participants
1. The Canals	Airdrie, AB	640	640	4,432
2. Simons Valley	Calgary, AB	775	775	4,243
3. Taravista	Calgary, AB	480	480	2,488
4. Mitford Crossing	Cochrane, AB	160	160	360
5. Silverwoods	Calgary, AB	40	40	18
6. Mountain View Village	Calgary, AB	144	144	402
7. Huntley Lake	Calgary, AB	356	237	395
8. Meadowbrook	Brooks, AB	120	120	800
9. Buena Vista Ranches	Kamloops, BC	1,623	1,623	4,205
10. Woodlands	Prince George, BC	121	15	62
11. Mountain Village	Dawson Creek, BC	40	40	246
12. Spray Lakes	10,000 acres leased			
		4,499	4,274	17,651

The above figures include lands controlled under options to purchase, and leasehold rights.



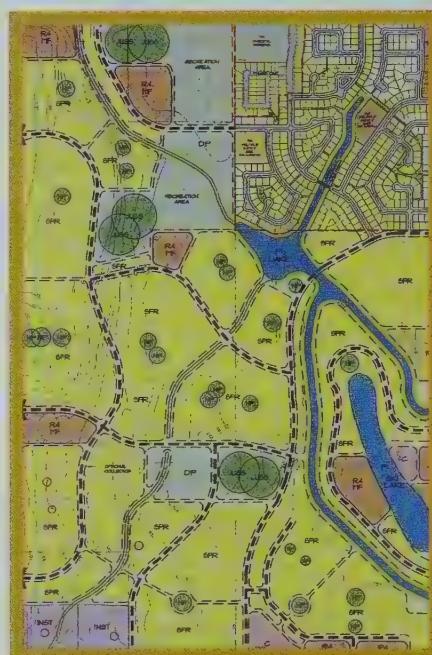
LAND DEVELOPMENTS



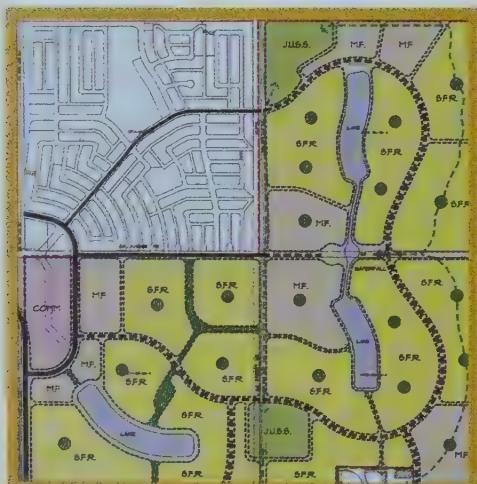
The Canals

Airdrie

*View of Phase 1 Development from
Northeast Canal*



*Approved Area Structure
Plans for The Canal, with
Phase 2 Outline (Street)*



Area Structure Plan for Taravista



Taravista

Calgary

View of Taravista looking west



Silverwoods

One of the luxury country estate homes on 2-acre parcels.

Mitford Crossing

Breathtaking mountain view from future site of Phase 1.



Buena Vista Ranches

Spectacular vista view of Kamloops Lake and one of the six lakes on the property.

Genesis Business Park

Garage bay and storefront units in the 40,000 square foot complex.



Spray Lake

View from north end of Spray Lakes.



MANAGEMENT DISCUSSION AND ANALYSIS

The following should be read in conjunction with the consolidated financial statements and the related notes appearing elsewhere in this Annual Report.

OVERVIEW

Genesis Land Development Corp. was incorporated on December 2, 1997. On August 5, 1998 the Company completed an initial public offering of 1,000,000 common shares and was listed for trading on the Alberta Stock Exchange. The Company remained inactive until November 6, 1998 when it completed its major transaction and acquired all of the outstanding common shares of 774614 Alberta Ltd. and its 100% owned subsidiary Genesis Land Developers Ltd.

As both the Company and 774614 Alberta Ltd. were controlled by the same group of shareholders prior to the November 6, 1998 transaction, no change in control has occurred. As such, the consolidated financial statements, the body of this annual report and this analysis have been prepared to reflect the financial position and results of operations of 774614 Alberta Ltd. and its 100% owned subsidiary Genesis Land Developers Ltd. as though they had been carried on by the Company in prior periods.

The current year is highlighted by the acquisition of several key properties which strengthen the Company's portfolio of land held for future development.

1998 land purchases are summarized as follows:

- 1,126 acres Calgary, Alberta
- 403 acres Airdrie, Alberta
- 142 acres Cochrane, Alberta
- 466 acres Kamloops, British Columbia
- 11 acres Brooks, Alberta (options to acquire an additional 109 acres)
- Leasehold rights to 10,000 acres of future resort property south of Canmore, Alberta

ASSETS

The book value of the Company's assets increased sharply to \$85,240,868 at the end of 1998 compared with \$20,220,273 at the end of 1997. This change is due primarily to the above summarized land acquisitions.

LIABILITIES

Liabilities increased from \$14,806,307 at the end of 1997 to \$74,445,586 at the end of 1998 due to significant land acquisitions financed by the vendors of the properties.

The acquisition of the Calgary, Cochrane, Airdrie and Kamloops properties during fiscal 1998 was financed with vendor take back mortgages for the entire purchase amount. These mortgages are structured to facilitate development of the properties. Each mortgage incurs no interest until the estimated date of commencement of development. The terms of the mortgages also provide for development financing to be obtained from development lenders, with the development lenders holding secured positions.

EQUITY

Equity grew by 98% to \$10,795,282. This increase is due to the issuance of 3,082,603 common shares through private placement, public subscription and the exercise of stock options. Net proceeds from the issuance of common shares contributed \$5,710,781 to share capital. These funds were used to finance project development, to repay a portion of existing debts and to provide the Company with general working capital.

RESULTS OF OPERATIONS

For the year ended December 31, 1998 the Company experienced a net loss of \$715,127 on revenues of \$11,738,273, compared with net earnings of \$1,441,466 on revenues of \$9,823,902 for the year ended December 31, 1997.

Revenue for fiscal 1998 from the sale of lots and housing increased 167% to \$10,701,574. This increase can be attributed to the sale of lots and housing in the Canals project during the year. The Canals project represents our largest and most successful project to date.

Gross margins on the sale of lots and housing increased to \$553,743. Despite strong margins on lot sales, Company performance was limited by unsatisfactory returns on housing sales. Low margins experienced on home sales has led to the decision by management in March 1999 to refocus management's efforts and Company resources on land development, the Company's core business.

During fiscal 1998 the company sold \$348,600 in land, a decrease of 93% from the previous year. Management has chosen to hold lands held for future development lands rather than engage in further sales of undeveloped parcels.

General and administrative costs in fiscal 1998 increased 28% to \$1,886,330. This increase is a direct reflection of the increase in sales of lots and housing during the year.

RESIDENTIAL LOT SUMMARY

(Excluding multi-family)

	1998	1997
At beginning of year	122	41
New developments	242	90
Sales	(90)	(9)
At end of year	274	122

LIQUIDITY AND CAPITAL RESOURCES

In general the Company has used equity capital to finance the acquisition of raw land and project specific debt to fund construction and development costs. During fiscal 1998 the Company incurred debt, in the form of vendor take back mortgages, to acquire land held for development in Calgary, Airdrie, Cochrane and Kamloops. On January 25, 1999, the Company filed a preliminary prospectus to qualify for distribution of up to 22,715,000 common shares in exchange for the outstanding vendor take back mortgages on these

properties. As at April 30, 1999 a final prospectus has not been issued yet.

With the existing debt on property structured to permit secured development financing, the Company has been able to establish relationships with three lenders. These relationships are expected to provide Genesis with adequate cash and capital resources to finance future development and constructions costs. Lending relationships and the overall strength of the balance sheet should be further enhanced through the retirement of existing vendor take back mortgages in exchange for common shares.

RISK

In the normal course of business the Company is exposed to certain risks and uncertainties. By its nature, real estate development is a cyclical business. As a result, the profitability of the Company could be affected by external factors beyond the control of management. These factors include shifts in population patterns and a general downturn in the economy of Canada.

To mitigate risks Genesis has adopted the following policies:

- The Company does not start a project until substantial pre-sales are in place.
- The Company ensures that adequate financing is established prior to commencing development of a project.
- Management works to maintain a deliberately conservative debt position with raw land acquisitions generally financed with equity.
- With the acquisition of the resort development properties south of Canmore, Alberta, the Company has diversified future operations beyond traditional land development.

Management is convinced that if it is successful in retiring the existing debt on raw land in exchange for common shares, the strength of the Company's balance sheet will assist Genesis to withstand future downturns in real estate cycles. With this financial strength, Genesis may look to future downturns as an opportunity to further enhance its portfolio of land for future development.



YEAR 2000

The approach of the year 2000 is a concern for all companies because of the potential for computer system failure. The nature of the Company's business is such that its operations should not be materially impacted by Year 2000 issues. The key areas of concern for the Company are its computer systems used to provide management information and support other administrative functions. The Company's current management information system is Year 2000 ready. Within the past 12 months Genesis has replaced all operating systems, office software and the majority of its computer equipment. A review of other support systems and office equipment has been substantially completed with no significant issues related to the year 2000. The Company is working with both customers and suppliers to ensure no disruption of business will occur.

OUTLOOK

Genesis enters 1999 with great anticipation. The land acquisitions and efforts of the past years have provided the Company with a strong portfolio of land for development and sale. Genesis believes it has the resources and expertise to realize this potential.

The Company's development communities in Calgary and surrounding areas are anticipated to provide significant activity during the 1999 year. Industry forecasts predict strong housing start figures for Calgary and surrounding areas, while levels are anticipated to be below the tremendous marks established in 1998, expectations are still well above historical averages for the region.



FINANCIALS

CONSOLIDATED FINANCIAL STATEMENTS OF
GENESIS LAND DEVELOPMENT CORP.

DECEMBER 31, 1996 AND 1997



AUDITORS' REPORT

To the Shareholders of
Genesis Land Development Corp.:

We have audited the consolidated balance sheets of **Genesis Land Development Corp.** as at December 31, 1998 and 1997 the consolidated statements of (loss)earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1998 and 1997, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Calgary, Alberta
March 4, 1999

CONSOLIDATED FINANCIAL STATEMENTS

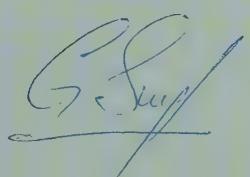
GENESIS LAND DEVELOPMENT CORP.

Consolidated Balance Sheets

Years Ended December 31, 1998 and 1997

	1998	1997
	\$	\$
ASSETS		
Real estate held for development and sale (Note 4)	75,175,040	13,346,435
Accounts and mortgages receivable (Note 3)	4,825,923	4,279,053
Cash and short term deposits	3,023,176	1,546,251
Capital and other assets (Note 6)	1,972,728	1,048,534
Deferred taxes	244,001	-
	85,240,868	20,220,273
LIABILITIES		
Financing (Note 7)	67,410,925	9,733,363
Accounts payable and accrued liabilities	5,907,236	1,552,787
Income taxes payable	1,012,539	2,636,556
Due to related parties (Note 5)	114,886	746,766
Deferred taxes	-	136,835
	74,445,586	14,806,307
CONTINGENCIES (Note 11)		
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	6,299,701	203,258
Retained earnings	4,495,581	5,210,708
	10,795,282	5,413,966
	85,240,868	20,220,273

APPROVED BY THE BOARD



Director



Director



CONSOLIDATED FINANCIAL STATEMENTS

GENESIS LAND DEVELOPMENT CORP.

Consolidated Statements of (Loss) Earnings and Retained Earnings

Years Ended December 31, 1998 and 1997

	1998	1997
	\$	\$
REVENUE		
Sales		
Lot and housing	10,701,574	4,006,945
Land	348,600	5,123,708
Interest and other income	<u>688,099</u>	<u>693,249</u>
	<u>11,738,273</u>	<u>9,823,902</u>
EXPENSES		
Cost of sales		
Lot and housing	10,147,831	4,001,729
Land	98,583	1,372,059
General and administrative	<u>1,886,330</u>	<u>1,475,602</u>
Interest	<u>458,848</u>	<u>463,129</u>
Amortization	<u>60,626</u>	<u>57,448</u>
	<u>12,652,218</u>	<u>7,369,967</u>
(LOSS) EARNINGS BEFORE TAX	(913,945)	2,453,935
PROVISION FOR TAXES (Note 12)		
Current	(203,644)	1,071,877
Deferred	<u>4,826</u>	<u>(59,408)</u>
	<u>(198,818)</u>	<u>1,012,469</u>
NET (LOSS) EARNINGS	(715,127)	1,441,466
RETAINED EARNINGS, BEGINNING OF YEAR	5,210,708	3,769,242
RETAINED EARNINGS, END OF YEAR	4,495,581	5,210,708
(LOSS) EARNINGS PER SHARE (Note 9)		
Basic and fully diluted	(0.03)	0.07

GENESIS LAND DEVELOPMENT CORP.
Consolidated Statements of Changes in Financial Position
Years Ended December 31, 1998 and 1997

	1998 \$	1997 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net earnings	(715,127)	1,441,466
Items not affecting cash		
Amortization	60,626	57,448
Deferred taxes	<u>4,826</u>	<u>(59,408)</u>
	(649,675)	1,439,506
Real estate held for development and sale	(6,520,539)	(2,291,220)
Accounts receivable	(586,127)	(186,813)
Deposits and prepaid expenses	(863,040)	(155,800)
Income tax payable	(1,624,017)	977,857
Accounts payable and accrued liabilities	<u>4,354,449</u>	<u>196,924</u>
	(5,888,949)	(19,546)
FINANCING		
Financing	2,815,194	2,006,169
Due from (to) related parties	(631,880)	(558,191)
Financing to acquire real estate held for future development	54,862,368	3,884,917
Share capital	<u>5,710,781</u>	<u>200,000</u>
	62,756,463	5,532,895
INVESTING		
Capital assets	(121,780)	(40,254)
Mortgages receivable	39,257	347,543
Real estate held for future development	<u>(55,308,066)</u>	<u>(4,901,255)</u>
	(55,390,589)	(4,593,966)
NET CASH INFLOW	1,476,925	919,383
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	<u>1,546,251</u>	<u>626,868</u>
CASH AND TERM DEPOSITS, END OF YEAR	<u>3,023,176</u>	<u>1,546,251</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GENESIS LAND DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Years Ended December 31, 1998 and 1997

1. INCORPORATION/REORGANIZATION

On January 31, 1997, Genesis Land Developers Ltd. ("Genesis Land") entered into an amalgamation agreement with all the shareholders of Genesis Land Developers Ltd., Genesis Investments Inc., Acclaim Homes Inc., Woku Enterprises Inc., Gom Holdings Inc., Oxen Holdings Inc., Rema Holdings Inc. and Arma Holdings. In exchange for their shares in the predecessor companies, all the shareholders received shares in Genesis Land. As the companies had previously acted as one organization with the same group of shareholders controlling the companies both before and after the amalgamation, no change in control has occurred and as such the reorganization has been accounted for in a manner similar to the pooling of interests method. Accordingly, financial statements prior to the reorganization have been prepared to reflect the financial position and results of operations of the predecessor companies as though they had been carried on by Genesis Land in prior periods.

On June 1, 1998, 774614 Alberta Ltd. ("774614") acquired all the outstanding shares of Genesis Land. In exchange for their shares in Genesis Land, all the shareholders received shares in 774614. Similar to the above described transaction on January 31, 1997, both Genesis Land and 774614 were controlled by the same group of shareholders prior to the transaction and as such, no change in control has occurred and the transaction has been accounted for in a manner similar to the pooling of interests method. 774614 was incorporated on March 1, 1998 and was inactive until June 1, 1998 when it acquired the shares of Genesis Land.

On November 6, 1998, Genesis Land Development Corp. ("Genesis" or the "Company") acquired all the outstanding shares of 774614. In exchange for their shares in 774614, all the shareholders received shares in Genesis. Similar to the two transactions described above, both the Company and 774614 were controlled by the same group of shareholders prior to the transaction and as such, no change in control has occurred and the transaction which has been accounted for in a manner similar to the pooling of interests method.

The Company was incorporated under the Business Corporations Act (Alberta) as Genesis Capital Corp. on December 2, 1997 and was inactive until November 6, 1998 when it acquired the shares of 774614. On November 19, 1998 Genesis Capital Corp. changed its name to Genesis Land Development Corp.

2. SIGNIFICANT ACCOUNTING POLICIES

General

The Company follows the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

Consolidation

These financial statements include the accounts of the Company and 100% owned subsidiaries 774614, Genesis Land, Spray Development Corporation and Kananaskis Pathways Corporation. The financial statements also include the Company's proportionate share of the assets, liabilities, revenues and expenses of joint ventures participated in by the company. All significant inter-company profits, transactions and balances have been eliminated.

GENESIS LAND DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years Ended December 31, 1998 and 1997

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue

Developed lot sales

Revenue is recognized when a contract for sale is signed, 15% of the sale proceeds has been received and the collectibility of the remaining proceeds is reasonably assured.

Housing sales

The sale is recognized when the completed housing unit is conveyed to the purchaser.

Undeveloped land sales

Revenue is recognized when a contract for sale is signed, 25% of the sale proceeds has been received and the collectibility of the remaining proceeds is reasonably assured.

Real estate held for development and sale

Real estate held for development and sale is recorded at the lower of cost and net realizable value.

Capitalized costs include all direct costs related to development and construction, carrying costs including interest on debt used to finance projects, property taxes and land acquisition costs. General and administration costs have not been capitalized.

Accounts and mortgages receivable

Accounts and mortgages receivable are recorded at the lower of cost and net realizable value.

Capital assets

Capital assets consisting of building, office equipment and automobiles are stated at cost less accumulated amortization. Amortization is calculated on a declining-balance basis at 5%, 20% and 30% per annum, respectively.

Income taxes

Income taxes are recorded on the tax allocation basis. Deferred income taxes result primarily from share issuance costs offset against share capital in excess of share issuance costs deducted for income tax purposes. Deferred taxes are provided on timing differences as they arise, at the current tax rates.

Measurement uncertainty

In accordance with generally accepted accounting principles, estimates and assumptions are made by management in the preparation of these financial statements. These estimates impact the amounts included in the financial statements and accompanying notes. Actual results could differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GENESIS LAND DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
 Years Ended December 31, 1998 and 1997

3. ACCOUNTS AND MORTGAGES RECEIVABLE

	1998	1997
	\$	\$
Due from Foothill Development Joint Venture	3,180,404	3,153,686
Mortgages receivable	545,897	585,154
Home Building	419,012	-
Other receivables	680,610	540,213
	4,825,923	4,279,053

The advances to the Foothill Development Joint Venture of \$3,585,000 (less the portion applicable to the Company), have no terms of repayment and bear interest at Royal Bank of Canada prime rate, plus 3%.

Mortgages receivable principal repayments are estimated as follows:

	\$
1999	5,924
2000	6,682
2001	7,535
2002	8,499
2003	9,144

4. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	1998	1997
	\$	\$
Land under development	5,040,083	3,292,491
Land held for future development	63,650,877	8,342,811
Housing	3,855,052	1,711,133
Construction	2,629,028	-
	75,175,040	13,346,435
Interest expensed	458,848	463,129
Interest capitalized	6,504,914	378,094
Total interest	6,963,762	841,223

GENESIS LAND DEVELOPMENT CORP.
Notes to the Consolidated Financial Statements
Years Ended December 31, 1998 and 1997

5. DUE TO RELATED PARTIES/RELATED PARTY TRANSACTIONS

Amounts due (to) from related parties are non-interest bearing and have no fixed terms of repayment.

Related party balances between the Company and its affiliated companies are summarized as follows:

	1998 \$	1997 \$
International Investments and Mortgages Inc.	(221,621)	(389,916)
Gentec Technologies Inc.	-	221,175
Leading Edge Technologies Inc.	-	136,374
Essex Energy Inc.	-	11,554
Shareholders	<u>106,735</u>	<u>(725,953)</u>
	<u>(114,886)</u>	<u>(746,766)</u>

International Investments and Mortgages Inc., Gentec Technologies Inc., Leading Edge Technologies Inc., and Essex Energy Inc. are all companies controlled by the same group of shareholders that control the Company.

The Company earned management fees of \$120,000 (1997 - \$120,000) and rental income of \$13,200 in 1998 (1997 - \$13,200) from Gentec Technologies Inc. These transactions are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

6. CAPITAL AND OTHER ASSETS

	Cost \$	Accumulated Depreciation \$	1998 Net Book Value \$	1997 Net Book Value \$
Capital assets	903,221	236,495	666,726	605,572
Deposits	1,164,520	-	1,164,520	429,962
Prepaid expense	141,482	-	141,482	13,000
	<u>2,209,223</u>	<u>236,495</u>	<u>1,972,728</u>	<u>1,048,534</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GENESIS LAND DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Years Ended December 31, 1998 and 1997

9. (Cont.)

The number of shares at the beginning of the year has been restated to reflect the equivalent number of shares issued by the company on November 6, 1998 (See note 1 on reorganization).

During the year the Company completed private placements of 1,880,953 units. Each unit consists of one common share of the Company and one common share purchase warrant. Every two such warrants entitles the holder to purchase one additional share at a price of \$4. These warrants expire between June 29, 1999 and October 5, 1999. None of these warrants have been exercised to December 31, 1998.

The Company has issued to certain agents the right to acquire up to 5,800 units of the Company on or before August 18, 1999 at a price of \$3.45.

On August 5, 1998, the Company completed an offering of 1,000,000 common shares pursuant to a prospectus dated June 15, 1998.

Stock Options

The Corporation has granted options to certain agents and employees for the purchase of common shares. These options are fully vested and may be exercised in whole or in part at any time prior to expiring. These options expire between February 5, 2000 and May 30, 2003.

Stock option transactions during the year are summarized as follows:

(Number of Shares)		1998	1997
Outstanding at beginning of year		-	-
Granted	At an exercise price of \$3.45	2,118,158	-
	At an exercise price of \$0.30	333,332	-
Exercised		(100,000)	-
Outstanding at end of year		2,351,490	-

(Loss) Earnings Per Share

Basic and fully diluted (loss) earnings per share for the year ended December 31, 1998 is calculated using a weighted average of 23,847,877 (1997 - 20,413,184).

10. INVESTMENT IN JOINT VENTURE

The Company's share of assets, liabilities, revenues and expenses of the Foothill Development Joint Venture which has been proportionately consolidated in these financial statements is as follows:

	1998	1997
	\$	\$
Revenue	49,462	33,903
Expense	45,273	31,691
Net earnings before income taxes	4,189	2,212
Assets	419,477	385,259
Liabilities	1,841	2,005

GENESIS LAND DEVELOPMENT CORP.**Notes to the Consolidated Financial Statements**

Years Ended December 31, 1998 and 1997

11. CONTINGENCIES

The Company has been audited by Revenue Canada and has received a proposal letter for additional taxes and interest. Revenue Canada has questioned the fair market value of certain mortgages receivable sold to a related corporation. The portfolio of mortgages were sold in 1995 to International Investments and Mortgages Inc. for proceeds of \$1,395,450, with the Company recording a loss on disposal of \$3,325,314. The amount of any additional taxes and interest is dependent on the agreed fair market value which cannot be determined at this time. Management is of the opinion that its position is correct and consequently, no provision for additional taxes and interest has been made in these accounts.

12. PROVISION FOR INCOME TAXES

The provision for income taxes on income differs from the provision computed at statutory rates as follows:

	1998 \$	1997 \$
Net (loss) earnings before taxes	<u>(913,945)</u>	<u>2,453,935</u>
Provision for income taxes based on combined basic federal and provincial tax rates (44.62%)	(407,802)	1,094,946
Provision for capital taxes	107,149	-
Non-capital losses carried forward applied in the period	-	(169,082)
Non-deductible expenses	101,835	86,605
	<u>(198,818)</u>	<u>1,012,469</u>

13. BUSINESS ACQUISITION

On September 18, 1998 the Company entered into agreements to acquire all the outstanding shares of Spray Development Corporation and its 100% owned subsidiary Kananaskis Pathways Corporation. The company is engaged in the business of developing a recreation/resort property in the Spray Lakes, south of Canmore, Alberta. The agreement provides for the following consideration:

- \$32,000 in cash on signing the agreements plus \$75,000 of shares at fair market price on or before December 31, 1999.
- \$100,000 in shares at fair market value upon government development approval of phase II of the proposed development.
- \$500,000 in shares at fair market value upon government development approval of phase III of the proposed development.
- 10% share of Phase III net profits before taxes to a maximum of \$2,500,000 of the proposed development.

This acquisition has been accounted for under the purchase method. The purchase consideration of \$107,000 for phase I has been allocated entirely to property held for future development, the companies have no other assets or liabilities. No accounting treatment has been given for any contingent consideration related to phases II and III as described above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

GENESIS LAND DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Years Ended December 31, 1998 and 1997

14. SEGMENTED INFORMATION

The Company operates in a variety of business segments. Each segment represents a strategic business unit that offers different products and services. The information provided by the financial statements in aggregate is not sufficient to provide an adequate understanding of the contribution of each segment to the Company as a whole.

The accounting policies applied to the segments are the same as those described in the summary of significant accounting policies in note 2. Inter-segment transactions are entered into under terms and conditions similar to those with unrelated third parties. Any inter-segment revenues and unrealized inter-segment profits have been eliminated. Common costs such as amortization, general and administrative and corporate interest have not been allocated to segment operations as the allocation of these costs on an arbitrary basis would not assist in the evaluation of segment operations. All inter-segment sales are transactions between the land development and home segments.

	1998	1997
REVENUE		
Land	\$ 348,600	\$ 5,123,708
Land development	4,057,839	341,469
Home	7,929,405	3,903,445
Other	688,099	693,249
Intersegment eliminations	<u>(1,285,670)</u>	<u>(237,969)</u>
	11,738,273	9,823,902

	\$	\$
(LOSS) EARNINGS		
Land	250,017	3,751,649
Land development	795,109	41,056
Home	32,942	(8,709)
Other	688,099	693,249
Intersegment eliminations	<u>(274,308)</u>	<u>(27,131)</u>
	1,491,859	4,450,114
Common costs	(2,405,804)	(1,996,179)
(Loss) Earnings from operations	<u>(913,945)</u>	<u>2,453,935</u>
Income tax expense	198,818	(1,012,469)
Net (Loss) Earnings	<u>(715,127)</u>	<u>1,441,466</u>

	\$	\$
ASSETS		
Land development	70,250,537	11,868,082
Home	4,248,677	2,234,346
Other	10,741,654	6,117,845
	85,240,868	20,220,273

GENESIS LAND DEVELOPMENT CORP.

Notes to the Consolidated Financial Statements

Years Ended December 31, 1998 and 1997

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. SUBSEQUENT EVENTS

- a) On January 25, 1999 the Company issued a preliminary prospectus for the qualification for distribution of up to 22,715,000 common shares in the Company issuable upon the acquisition of \$76,823,220 principal amount of vendor take back mortgages and any applicable interest thereon, and up to 675,962 common shares in the Company issuable upon the acquisition of up to 106 units of joint venture interests.
- b) A Statement of Claim was filed in the Alberta Court of Queen's Bench on January 5, 1999 by certain parties naming Genesis Land Developers Ltd., Genesis Land Development Corp. and certain officers as defendants (the "Action"). The Action seeks special damages in the sum of \$3.5 million, disgorgement of any gain made by each and all of the Defendants in the sum of \$3.5 million, punitive and exemplary damages in the sum of \$1.0 million and solicitor and client costs on an indemnity basis jointly and severally against all defendants.

As the Action was commenced so recently, it is difficult for management of the companies to assess the significance of the Action, if any. Based on information currently available, including the written agreements between the parties, and a previous court case concerning the issues raised, management believes the Action has no merit and intends to defend and counterclaim. Management believes further, that any exposure with respect to the Action would be significantly less than the amount sought therein, such that the claims would not materially adversely affect the consolidated financial position or results of operations of the companies.



FOUR YEAR SUMMARY

Consolidated Balance Sheets (expressed in thousands of dollars)	1998	1997	1996	1995
	\$	\$	\$	\$
ASSETS				
Real estate held for development and sale	75,175	13,346	6,154	5,186
Accounts and mortgages receivable	4,826	4,279	4,439	3,991
Cash and short term deposits	3,023	1,546	627	454
Capital and other assets	1,973	1,049	910	915
Deferred taxes	244	-	-	-
	85,241	20,220	12,130	10,546
LIABILITIES				
Financing	67,411	9,733	3,842	2,441
Accounts payable and accrued liabilities	5,907	1,553	1,356	2,122
Income taxes payable	1,013	2,636	1,659	1,570
Due to related parties	115	747	1,305	766
Deferred taxes	-	137	196	125
	74,446	14,806	8,358	7,024
SHAREHOLDERS' EQUITY				
Share capital	6,300	203	3	3
Retained earnings	4,495	5,211	3,769	3,519
	10,795	5,414	3,772	3,522
	85,241	20,220	12,130	10,546
Consolidated Statements of (Loss) Earnings (expressed in thousands of dollars)				
	1998	1997	1996	1995
	\$	\$	\$	\$
REVENUE				
Sales				
Lot and housing	10,701	4,007	2,589	-
Land	349	5,124	3,758	13,524
Interest and other income	688	693	649	662
	11,738	9,824	6,996	14,186
EXPENSES				
Cost of sales				
Lot and housing	10,148	4,002	2,751	-
Land	98	1,372	2,072	7,486
General and administrative	1,886	1,476	1,172	1,877
Interest	459	463	527	232
Amortization	61	57	52	48
	12,652	7,370	6,574	9,643
(Loss) earnings from operations	(914)	2,454	422	4,543
Loss on sale of mortgages receivable	-	-	-	(3,325)
(Loss) earnings before taxes	(914)	2,454	422	1,218
Provision for taxes	199	(1,013)	(172)	(439)
NET (LOSS) EARNINGS FOR THE YEAR	(715)	1,441	250	779
(Loss) Earnings per share - basic and fully diluted (\$)	(0.03)	0.07	0.01	0.04



CORPORATE INFORMATION

CORPORATE OFFICES

400, 750 11th Street S.W.
Calgary, Alberta T2P 3N7
Telephone: (403) 265-8079 Fax (403) 266-0746
Website: www.genesisland.com
E-Mail: genesis@genesisland.com

Regional Office - British Columbia

Narinder Sandhu
Regional Co-ordinator
202, 6846 King George Highway
Surrey, British Columbia V3W 4Z9
Telephone (604) 572-6827 Fax (604) 572-6834
Pager (604) 307-6925
Web site www.genesisland.com
E-mail gldcvan@smartt.com

Regional Office - Edmonton

Robert Tok
Regional Co-ordinator
10867 - 97th Street
Edmonton, Alberta T5H 2M6
Telephone (780) 425-6816 Fax (780) 424-1634
Pager (780) 909-3128
Web site www.genesisland.com
E-mail chok@icrossroads.com

BOARD OF DIRECTORS

Gobi Singh
President and Chief Executive Officer
Director

Arthur Wong
Vice-President and Chief Operating Officer
Director

Dan Gerritsen
Chief Financial Officer
Director

Derrick R. Armstrong
Partner, Armstrong Perkins Hudson
Barristers and Solicitors
Director

Blaine G. Schumacher
Director

STOCK EXCHANGE

Alberta Stock Exchange
Stock Symbol - GDC

SENIOR MANAGEMENT TEAM

Gobi Singh, P. Eng.
President and Chief Operating Officer

Arthur Wong, P. Eng.
Vice-President and Chief Operating Officer

Dan Gerritsen, B. Admin. C.A.
Chief Financial Officer

Percy Alexander
Vice-President, Land Division

Jeffrey Blair
Director - Planning, Land Division

Brenda Fournier
Controller

Jeffrey Farmer, B.A.
Director of Marketing and Investor Relations

Jasbir Singh
Regional Co-ordinator, Calgary

Cam Treloar
Commercial / Home Building Division

AUDITORS

Deloitte & Touche LLP
2400 Scotia Centre
700 - 2nd Street S.W.
Calgary, Alberta T2P 0S7

TRANSFER AGENT

Montreal Trust
600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8



GENESIS

LAND DEVELOPMENT CORP.